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January 15, 2002

Ms. Gloria Blue
Executive Secretary
Trade Policy Staff Committee
Office of the United States Trade Representative ("USTR")
600 17th Street, NW
Washington DC 20508

Re: **§201/203 Safeguards, Certain Steel Products; Taiwan Position**

Dear Ms. Blue:

Taiwan appreciates the opportunity to present its views. The points we raise cover all the §201 products, as to Taiwan. The key points are:

1. In Taiwan, no special government measures (subsidies or otherwise) exist for steel. Taiwan's national policies emphasize the full exercise of market mechanisms -- i.e., letting the market decide which companies thrive or not. Government policies are designed to facilitate the exit of inefficient or uncompetitive steel capacity from the market. In fact, in the past five years, ten Taiwan steel mills (over a quarter of Taiwan's steel mills) closed, removing almost a million tons of steel production capacity and nearly 1200 steel jobs from the market.

2. Taiwan's steel market is open, with steel imports freely permitted and no real government interference. Indeed, nearly 40% of Taiwan's raw steel is imported.

3. As the Mainland China economy develops, Taiwan's steel producers have increased their Mainland-bound investments. Their marketing efforts concentrate on supplying their processed goods to Mainland China.

4. Taiwan supports eliminating uneconomic or inefficient steel capacity to bring some relief to the distressed steel industry. Taiwan also supports the elimination of market distortions that contribute to steel's problems. Such distortions include government intrusion in steel, including government subsidies.

5. Time should be given to reach a multilateral agreement to eliminate uneconomic, inefficient or subsidized steel capacity before §201 import restrictions are imposed. Further, any §201 import restrictions should focus on the countries with uneconomic, inefficient or subsidized capacity. Broad-brushed import-restraints that affect all steel suppliers equally – i.e., irrespective of whether they have uneconomic, inefficient or subsidized capacity -- are the antithesis of remedies seeking just to address uneconomic, inefficient capacity and market distortions. In addition, the provision of §201 import-restraints restraints irrespective of whether U.S. producers can demonstrate that they will be internationally competitive following their cessation serves only to protect uneconomic, inefficient capacity. Such preservation should be avoided.

We appreciate the TPSC's attention to this matter.

Very truly yours,

Peter Koenig
Hal Shapiro
Counsel to TECRO and the Taiwan Steel Industry
On This §201 Matter